

Message Text

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PAGE 01 BRASIL 05445 140121Z
ACTION EB-08

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R 131020Z JUL 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 8245
INFO AMEMBASSY LONDON
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

UNCLAS BRASILIA 5445

E.O. 11652: N/A
TAGS: EAGR, ETRD, BR
SUBJECT: IBC PRESIDENT GALAZANS SAYS BRAZIL MAY BUY
COFFEE AND COMMENTS ON ICA

REF: (A) BRASILIA 1673 (NOTAL) (B) STATE 172767

1. POSSIBLE BRAZILIAN COFFEE PURCHASE. IBC PRESIDENT CALAZANS WAS QUOTED IN THE JULY 12 JORNAL DO BRASIL (RIO DE JANEIRO) AS SAYING THAT IF THE WORLD COFFEE MARKET CONTINUED WEAK AND PRICES DECLINED FURTHER, BRAZIL WOULD START BUYING COFFEE "AS IN 1976 AND 1977, WHEN THIS WAS SUCCESSFULLY DONE." HE WENT ON TO SAY, HOWEVER, THAT HE HOPED THAT NEWS OF THE DROUGHT IN BRAZIL'S MAJOR COFFEE PRODUCING AREA (REF A) AND FEARS OF A COFFEE FREEZE WOULD KEEP PRICES UP.
 2. ICA. ACCORDING TO THE JULY 11 O GLOBO (RIO DE JANEIRO), CALAZANS SAID THAT FUTURE OF THE ICA "IS IN THE HANDS OF THE AMERICAN GOVERNMENT" CALAZANS WAS NOT OPTIMISTIC THAT THE PRESIDENT WOULD SUBMIT--AND THE CONGRESS APPROVE--THE IMPLEMENTING LEGISLATION NECESSARY FOR THE ENTRY INTO FORCE OF THE ICA.
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PAGE 02 BRASIL 05445 140121Z

3. BOTH THE JORNAL DO BRAZIL AND O GLOBO ARTICLES CARRIED COMMENTS BY CALAZANS ON US ATTITUDES TOWARD COFFEE BUFFER STOCK TRIGGER PRICES, APARENTLY RESULTING FROM HIS CONVERSATIONS AT THE DEPARTMENT (REF B). ACCORDING TO THE ARTICLES, CALAZANS FELT THAT THERE WOULD BE PROBLEMS IN SETTING THE TRIGGER PRICE BECAUSE

BRAZIL (AND PRESUMABLY OTHER PRODUCERS AS WELL) WANTED THE BUFFER STOCK TO DEFEND COFFEE PRICES AT ROUGHTLY THEIR CURRENT MARKET LEVEL, WHEREAS AT LEAST SOME US OFFICIALS HELD THAT THE 77 CENT PRICE ESTABLISHED IN 1975 SHOULD STILL BE USED. CALAZANS SAID THAT THE 1975 COFFEE FREEZE IN BRAZIL "CHANGED THE RULES OF THE WORLD COFFEE MARKET FOR BOTH THE NEAR AND THE LONG TERM," AND BRAZIL WOULD OPPOSE GOING BACK TO THE PRE-FREEZE PRICE RANGE SPECIFIED IN THE ICA.

4. FINALLY, CALAZANS REMARKED THAT ALTHOUGH THE FACT THAT THE ICA WAS NOT FUNCTIONING NOW DID NOT MAKE A GREAT DEAL OF DIFFERENCE TO BRAZIL, THE SUCCESS OF THE ICA WAS IMPORTANT TO BRAZIL IN THE LONG RUN, SINCE BY 1982 BRAZIL WOULD BE IN A POSITION TO EXPORT 18 MILLION BAGS OF COFFEE AND HAD TO TRY TO GUARANTEE MARKETS FOR THIS PRODUCTION.
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